

FISCAL NOTE

Bill #: HB0079

Title: Defined Contribution Retirement Plan

Primary

Sponsor: Matt Brainard

Status: Third Reading as Amended

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
Non-Budgeted PERS Trust Fund	\$596,000	\$596,000
Revenue:	\$0	\$0
Net Impact on General Fund Balance:	\$0	\$0

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. Assumes the implementation schedule in Section 61 is followed.
2. Pre-transfer training assumes 15 percent of the members will convert to the new DC system and the pre-training cost will be one million dollars. If 50% convert, then the training cost will be 1.5 million dollars.
3. Personal services include \$56,000 for education coordinator (1 FTE) which will be paid from the pre-transfer education fund.
4. Parts of other FTE's includes developing RFP's, contracts, administrative rules, etc.
5. Additional costs will be provided through the Department of Administration's budget and will include costs for the temporary advisory counsel per diem (\$1200), and dedication of FTE, positions, on and off, for providing an implementation team to help with PERD system modifications, accounting, benefit administration, systems analysis, purchasing, etc.

(continued)

6. If the system development cost is more than budgeted, the Board will work with the vendor to determine how additional cost will be paid.
7. The bill (section 41) sets aside 0.1% of the employee contribution rate to be used for transfer education expenses. This amount is estimated to be \$596,000 per year for the first two years. After that, the amount is reduced to 0.04% to be used for ongoing education expenses.
8. There will be a general fund loan to cover start-up operating expenses of \$1,000,000 in FY 2000 and \$700,000 in FY 2001 to be paid back by the end of six years.

FISCAL IMPACT:

	FY2000 <u>Difference</u>	FY2001 <u>Difference</u>
FTE	3.00	4.00

Expenditures:

Personal Services	\$142,000	\$176,000
Operating Expenses	<u>454,000</u>	<u>120,000</u>
TOTAL	\$596,000	\$596,000

Funding:

Non-Budgeted PERS Trust Fund	\$596,000	\$596,000
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Revenues:	\$0	\$0
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Net Impact to Fund Balance (Revenue minus Expenditure):

Other, PERS Trust Fund	\$596,000	\$596,000
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EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Local governments may incur a cost to change automated reporting systems for reporting contributions to the DC plan.

LONG-RANGE IMPACTS:

The FTE requirements in this fiscal note are temporary and will be only for the start up of the system. The program will require additional FTE's on an ongoing basis to monitor contracts, provide ongoing plan choice training, and provide information to members.